

BUSINESS OPPORTUNITY

For Merchandise, Food and Beverage, and Kennel Services

within Carlsbad Caverns National Park

CC-CAVE001-08

Department of the Interior

National Park Service

SUMMARY OF BUSINESS OPPORTUNITY

The Summary provides a synopsis of the key elements of National Park Service (Service) Draft Concession Contract CC-CAVE001-08 (Draft Contract), included in this Prospectus in Section IV, for the general concession operations at Carlsbad Caverns National Park. In the event of any inconsistency between the terms of the Draft Contract and this Summary, the Draft Contract will control.

Nature of Business and Services Provided

The National Park Service is in the process of rehabilitating the visitor center and associated concession operation at Carlsbad Caverns National Park. The purpose of the project is to restore the existing visitor center to an efficient, attractive facility that takes advantage of its unique location and reduces impacts to the Park's primary resource. The project will improve the Concession Facilities and provide for enhanced revenue opportunities in the surface operation. The rehabilitation project will upgrade aging, unsafe mechanical, electrical, plumbing and fire protection systems; eliminate overcrowded visitor use areas and elevator lobbies; and provide more efficient staffing operations and visitor flow. The expected completion date of the facility is December 2007 and the Concessioner will be able to move into its space once the Service completes the construction project and authorizes the Concessioner to do so.

The Business Opportunity section of this Prospectus describes the commercial visitor services required and authorized by the Draft Contract.

Required Services for the New Concession Contract

SURFACE OPERATION	
Retail merchandise sales	
Food and beverage service	
Daily kennel service for pets	
Vending machines in designated areas	
UNDERGROUND OPERATION	
Limited retail merchandise	
Limited food and beverage service	



Authorized Services for the New Concession Contract

SURFACE OPERATION

Merchandise and Bottled Water Sales from a mobile cart or other mobile option during ranger led bat flight programs.

Annual Gross Receipts by Year

2003	2004	2005
\$2,717,585	\$2,624,380	\$2,630,921

Summary of Changes to Existing Services

Vending is a new service not required under the Existing Contract.

Mobile Cart Merchandise and Bottled Water Sales is a new authorized service.

Proposed Minimum Franchise Fee

7.0 percent of annual gross receipts

Term of Draft Contract

Ten years

Estimated Required Initial Investment

Possessory Interest	\$0*
New Personal Property (Minimum)	\$337,000
Other Property	\$310,000 - 380,000**
Other Property (Inventory)	\$240,000 - 290,000**
TOTAL	\$900,000 - 1,020,000

* There is no Possessory Interest associated with this contract

** These ranges represent estimates of the Service and are provided in 2007 year of expenditure dollars.

Source: National Park Service

The Draft Contract does not require any real property improvements to the Concession Facilities. However, the Concessioner must furnish the concession space in the rehabilitated visitor center with new personal property required to facilitate the operation of the merchandise and food and beverage services as described in the Contract. The following table presents the Draft Contract's required personal property investment.



Required New Personal Property Investment

Personal Property Description	Estimated Cost in 2007 Dollars
Furnish the merchandise operation with personal property and equipment	\$143,000
Furnish the food and beverage operation with personal property and equipment	\$192,000
Furnish the kennel operation with personal property and equipment	\$2,000
Total	\$337,000

Source: National Park Service

No Preferred Offeror

The National Park Service has determined that no preferred Offeror for this Draft Contract exists pursuant to the terms of 36 CFR Part 51. This solicitation for commercial services is fully competitive.



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INTRODUCTION

The National Park Service (Service) seeks proposals for the operation of the merchandise, food and beverage, kennel and vending operations at Carlsbad Caverns National Park (Park). This Prospectus describes in general terms the existing business operations and the future business opportunities for the facilities and services required by the Service. Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the attached Draft Concession Contract CC-CAVE001-08 (Draft Contract), including its exhibits, to determine the full scope of the Concessioner's responsibilities under the Draft Contract. The Service is conducting this solicitation in accordance with the National Park Service Concessions Management Improvement Act of 1998 (PL 105-391) as implemented by the Service in 36 CFR Part 51. This Prospectus is issued under the authority of 36 CFR Part 51. In the event of any inconsistency between the terms of this Prospectus and 36 CFR Part 51, 36 CFR Part 51 will control. In the event of any inconsistency between the terms of the Draft Contract and this Prospectus, the attached Draft Contract will control. A copy of 36 CFR Part 51 is included as an Appendix to this Prospectus. A copy of PL 105-391 is included as an Appendix to this Prospectus.

The term "Concessioner" as used in this Prospectus refers to the entity that will be the Concessioner under the Draft Contract. The term "Existing Concessioner" refers to The Cavern Supply Company, Inc., the concessioner under the existing concession contract (Existing Contract). The Existing Contract, as amended, is included as an Appendix to this Prospectus.

The National Park Service and Its Mission

America's National Park Service was created by Congress to:

...conserve the scenery and the natural and historic objects and the wild life therein, and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (*16 USC 1*)

Additionally, the Congress has declared that the National Park System should be:

...preserved and managed for the benefit and inspiration of all the people of the United States. (*16 USC 1a-1*)

To learn more about the National Park Service, visit our website at www.nps.gov. This site includes information about who we are, our mission, and policies, and information on individual park units.

Mission of Carlsbad Caverns National Park

Carlsbad Caverns National Park was originally established on October 25, 1925 as Carlsbad Cave National Monument. It was designated as a National Park in 1930 and became a World Heritage Site in 1995. Congress established the Park to preserve Carlsbad Cavern and numerous other caves within the Guadalupe Mountains, a Permian-age fossil reef. The Park contains over 100 known caves, including the famous Lechuguilla Cave.



The Park's mission is to:

“... protect this World Heritage Site by caring for the park's resources and sharing knowledge to inspire appreciation and stewardship in present and future generations.”

Additionally, the Park:

- Preserves and protects Cavern resources, the Chihuahuan Desert ecosystem, and the Capitan Reef in Carlsbad Caverns National Park, as well as associated natural and cultural resources.
- Provides a range of opportunities for public use, enjoyment, and understanding, while minimizing impacts on Park resources and natural processes.
- Facilitates research to provide a continuum of information in support of Park interpretation and management decisions, and the general body of scientific knowledge.

The Park contains a total of 46,766 acres with 33,125 designated as wilderness and receives slightly more than 400,000 visitors per year. Additional information on Carlsbad Caverns National Park can be found at www.nps.gov/cave.



The Caveman

MARKET AREA OVERVIEW

New Mexico Tourism Market

Travel and tourism are key businesses within the state of New Mexico that, according to the New Mexico Tourism Department, contributed an estimated \$4 billion to the state's economy in 2003. The state was among the first in the nation to fund a state tourism agency and actively seeks to increase tourist visitation and spending.

The state's Tourism Department publishes the New Mexico Tourism Barometer Report as a tool to monitor the state of the tourism industry on a quarterly basis and the report is based on a sampling of data from tourism related businesses throughout 12 regions in the state. The data is then used to report tourism activity and is measured against a baseline established in 2002. The following table presents a summary of visitation and tourism trends for the entire state and the Carlsbad Region as defined in the most recent Tourism Barometer Report. For comparison, the percentage change in Carlsbad Caverns visitation is also provided.

Exhibit 1 Comparison of Tourism Activity

Percentage Change in Tourism Activity	2003 vs. 2002	2004 vs. 2003
Statewide	-0.2%	+2.6%
Carlsbad Region		
Chaves, Curry, DeBaca, Eddy, Lea, and Roosevelt Counties	+8.0%	-14.0%
Carlsbad Caverns Visitation	-3.6%	-8.6%

Source: New Mexico Tourism Department, Travel Barometer 2004 and the National Park Service

While statewide tourism activity increased slightly from 2003 to 2004, activity in the Carlsbad area was down 14 percent and visitation to the park declined by 8.6 percent. As illustrated in Exhibit 1, the rate of change in tourist activity has been inconsistent.

According to a 2005 intercept study conducted at the El Paso International Airport and funded by the state of New Mexico, visitors to southern New Mexico stayed an average of 6.7 nights per trip and nine percent of visitors cited tourism as the primary purpose of their visit. Of the visitors surveyed, scenic beauty was the highest rated experience and 48.8 percent stated that they were likely to return to southern New Mexico or west Texas.

New Mexico Visitor Demographics

Based on 2003 Travelscope data published by the state of New Mexico, leisure visitors to New Mexico destinations have the following characteristics.

- 30 percent are intrastate travelers from within New Mexico
- 42 percent are from states that border New Mexico
- 20 percent participated in outdoor activities and 14 percent visited a state or national park
- The average party size was 2.55 persons



- The average per trip expenditure was \$418
- The average age was 47.4 years old
- The average household income was \$59,554

Additional information may be found at <http://www.newmexico.org/departments/travel-research.php>.

Local Market Area: Carlsbad, New Mexico

Carlsbad is located in Eddy County, New Mexico, and is home to approximately 25,000 people. The city is located along the banks of the Pecos River, and was organized as a municipal corporation in 1893. On March 25, 1918, the governor proclaimed Carlsbad as a city.

The Department of Energy is a major employer in the Carlsbad area. The agency operates the Waste Isolation Pilot Plant 40 miles from Carlsbad and maintains a large office in the city. Carlsbad is also a regional hub of merchandise and shopping opportunities in southern New Mexico. Traditionally, potash mining, oil and gas, tourism, and government are the largest employers. In the last few years, the city has become regionally popular as a destination during the Christmas season when visitors and locals alike participate in the “Christmas on the Pecos” celebration.

FACTS AT A GLANCE

Local Market Median Household Income:
\$42,000
Median Home Value:
\$119,000

Lodging, Camping, and Food Service

The Carlsbad Chamber of Commerce stated that there are 19 hotels offering approximately 1,100 hundred rooms in Carlsbad. Carlsbad features numerous dining establishments offering a wide variety of foods ranging from chain fast food to casual family dining. There are four RV parks/campgrounds in the Carlsbad area, including a KOA facility, that offer approximately 220 units in total.

Merchandise

Carlsbad has many merchandise options, however, most offer general merchandise and do not cater to the tourist market.

Recreation

There are several recreational activities that attract visitors to the Carlsbad area. The Living Desert Zoo and Gardens State Park is an American Zoo and Aquarium Association accredited facility operated by the state of New Mexico. The facility offers a botanical garden and animal exhibits focused on the Chihuahuan Desert and the greater New Mexico area.

Brantley Lake State Park, a 3,000-acre lake located on the Pecos River, north of Carlsbad offers 51 developed campsites with electricity, picnicking, hiking, water based recreation, and interpretive exhibits.

Carlsbad has recently developed the area along the Pecos River into a multi-use recreation destination for residents and visitors, alike. The development offers 1,000 feet of beachfront access to the river, a 15-mile mountain bike trail, and a 4.5 mile river-walk.



Local Market Area: Whites City

Established as a homestead by Charlie White in 1928, Whites City now serves as a tourist area located near the entrance to the Park. The development is primarily owned by the Whites City Resort and Water Park and offers the following amenities:

- Best Western Cavern Inn - 42 rooms and 200 person meeting space
- Walnut Inn - 63 rooms and 4,600 square feet of meeting space
- The Velvet Garter steakhouse - +/- 60 seat casual dining establishment
- RV Park - 106 sites (60 with full hookups, 46 with water and electric only)
- Whites City Gift shop and T-shirt shop - approximately 2,000 square feet of merchandise space offering general souvenir merchandise
- U.S. Post Office
- Grocery
- Mrs. White's Cream and Butter Fudge - small snack shop
- Mrs. White's Ice Cream - small ice cream parlor
- Million Dollar Museum - 30,000 item museum

The hotels and restaurant are generally open year round while the other services may be closed during the winter season.

Transportation to Carlsbad

Automobile

The majority of visitors to the Carlsbad area arrive via private vehicle. On a statewide basis, the New Mexico Department of Tourism reported that 76 percent of leisure visitors in 2003 drove to New Mexico while 13 percent arrived via air. The following table presents the primary points of origin for statewide leisure visitors and the approximate driving distance to the Park.

Exhibit 2 Point of Origin and Driving Distance of New Mexico Leisure Visitors

Point of Origin	Percentage of Leisure Visitors	Driving Distance to Carlsbad Caverns National Park
Albuquerque	27 percent	300 miles
El Paso	8 percent	150 miles
Denver	5 percent	610 miles
Phoenix	4 percent	580 miles
Los Angeles	4 percent	955 miles
Dallas-Fort Worth	4 percent	540 miles
Houston	4 percent	670 miles
Amarillo	3 percent	330 miles
Tucson	3 percent	470 miles
San Antonio	2 percent	470 miles

Source: New Mexico Tourism Department Travelscope Report 2003



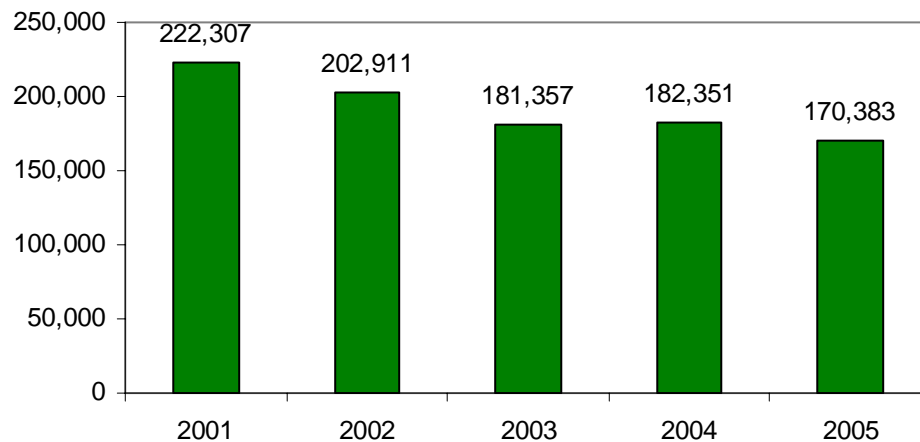
Air Service

Though most visitors to Carlsbad drive to the area, the city is served directly by Mesa Airlines at Cavern City Air Terminal. Mesa offers one to three flights per day from Albuquerque. The closest major airport is El Paso International in El Paso, Texas, which is approximately three hours driving time from Carlsbad. Albuquerque is another option for air travelers with a driving distance of five to six hours. Both Albuquerque and El Paso are served by major U.S. carriers including Delta, United, American, and Southwest.

Guadalupe Mountains National Park

Guadalupe Mountains National Park is located 45 miles south of Carlsbad Caverns and is distinguished by El Capitan, an 8,085-foot high monolithic landmark that can be seen for fifty miles. Guadalupe Peak, at 8,749 feet, is also a distinctive feature. The park offers 29 tent sites and 23 RV sites between two campgrounds. There are over 80 miles of hiking trails and the park is also known for its horseback riding and bird watching opportunities. There are no concession operations at the park. The following chart provides annual visitation data from 2001-2005.

Exhibit 3 Guadalupe Mountains National Park, Visitation Data, 2001-2005



Source: National Park Service

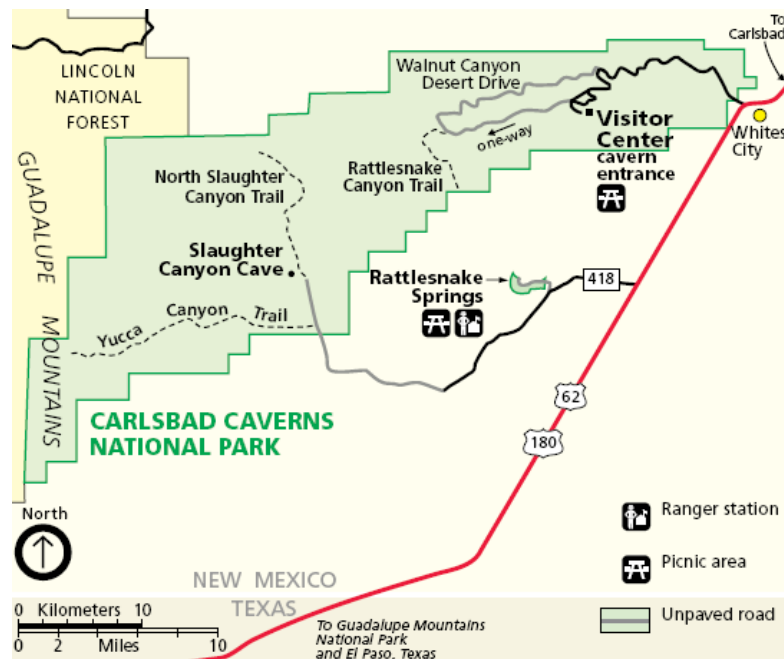


CARLSBAD CAVERNS NATIONAL PARK

Carlsbad Caverns National Park is a World Heritage site that attracted approximately 414,000 visitors in 2005. The primary attractions are its 100+ caves, including the world renowned main cavern that contains numerous significant formations. The Park is accessible via walking tours that are operated year round. In addition to the Cavern, the Park contains two historic districts, offers desert backcountry experiences, and has an amphitheater that hosts ranger led programs.

The Park headquarters is located near the current visitor center, and the Park maintains a satellite office in Carlsbad. The Park is accessed via state highway 62 and the visitor center is situated approximately 30 miles southwest of Carlsbad, New Mexico.

Exhibit 4 Carlsbad Caverns National Park Map



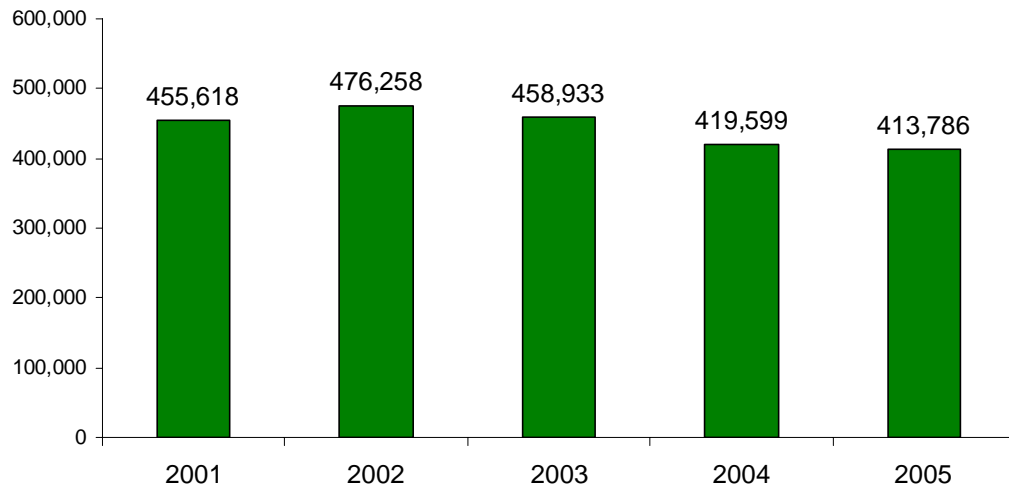
Source: National Park Service



Recreation Visitation

The following chart presents historical visitation data for 2001 to 2005.

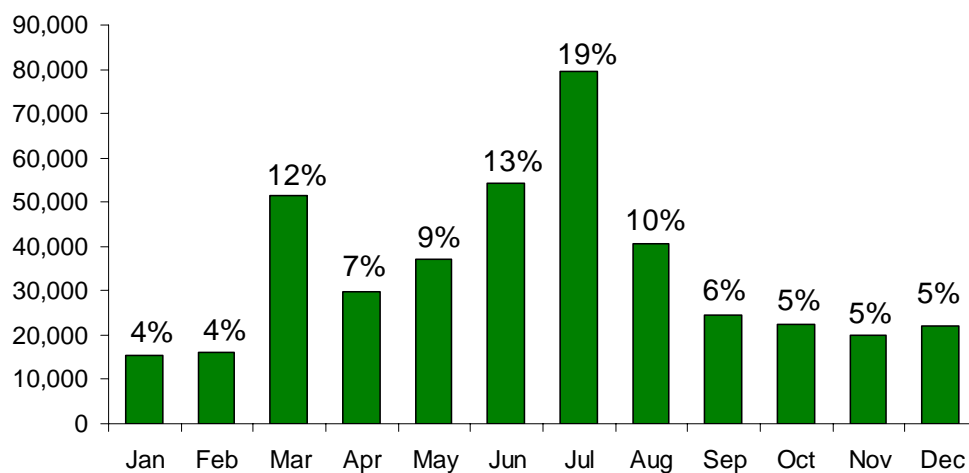
Exhibit 5 Annual Visitation to Carlsbad Caverns National Park 2001 - 2005



Source: National Park Service

The Park and the concession are open year round. Park visitation is highest in June, July and August. It also appears that Park visitation is high in March, when the Park experiences stronger visitation due to spring break. The following chart provides monthly recreation visitation data for the Park.

Exhibit 6 Monthly Visitation to Carlsbad Caverns National Park, 2005



Source: National Park Service



Additional information on visitation to Carlsbad Caverns can be found at <http://www2.nature.nps.gov/stats/>.

Carlsbad Caverns National Park Visitor Profile

A survey conducted by Tripp, Umbach and Associates, for the Service in 1998 revealed the following characteristics regarding Park visitors.

- Average group size is 3.6 people
- 93 percent of people came to the Caverns with friends or family
- 41 percent of visitors have a bachelors degree or higher
- 34 percent of visitors had a household income of \$50,000 - \$100,000 per year
- 24 percent of visitors came from Texas
- 13 percent of visitors traveled to the Park from within New Mexico
- 46 percent stayed in a hotel in Carlsbad
- 50 percent also visited Guadalupe Mountains National Park
- 47 percent were return visitors
- Average expenditure between \$100 - \$260 per day total (sum of lodging, entertainment, food, and other expenses)
- 21 percent spent \$25 - \$49 on shopping
- 42 percent spent between \$25 - \$49 per day on food

Carlsbad Caverns - Guadalupe Mountains Association (“CCGMA”)

The CCGMA operates an educationally themed shop and book store in the Park’s visitor center. The CCGMA sells complementary items with educational themes that are related to the Park and the Guadalupe Mountains. Historical sales for the CCGMA are provided in the table below

Exhibit 7 Annual Sales for CCGMA

2003	2004	2005	Average
\$ 876,431	\$ 896,356	\$ 901,323	\$891,370

Source: National Park Service



EXISTING CONCESSION OPERATION

The Existing Concessioner is The Cavern Supply Company, Inc., which is based in Carlsbad, New Mexico. The Existing Concession Contract was initially issued for 20 years, from January 1, 1969 to December 31, 1989, and has been extended by Interim Letters of Authorization and formal amendments until the effective date of the Draft Contract.

The Existing Contract encompassed three services within Carlsbad Caverns National Park. The existing surface operation will transition to interim operations during the rehabilitation of the visitor center expected to occur in 2007. The interim operations are not representative of the services under the Existing Contract or the Draft Contract. The Existing Contract, as amended, is included as an Appendix to this Prospectus.

Exhibit 8 Description of Existing Services

Surface Operation	
Merchandise	The Concessioner occupies approximately 3,500 square feet of merchandise space and sells general gift items including apparel, souvenirs, and books. The space is set out as a rectangle containing long display units that occupy a large portion of the available floor space. Visitors enter from the food service or the main entrance area of the visitor center. The walls of the merchandise area are lined with shelving used as display spaces and the entry area near the main hall of the visitor center contains several apparel racks.
Food Services	The food service operation features approximately 100 seats in the main dining area, 48 additional seats in an overflow seating area, and 30 seats in the employee dining area. The menu includes hamburgers, sandwiches, and daily specials. The operation features table service and the Concessioner focuses primarily on dine in orders. The kitchen is designed and equipped to support a typical American fare menu that includes a grill station with vent hood and deep fryers.
Kennel	The Concessioner provides 15 kennels for housing visitor's pets when visiting the caverns as a visitor amenity and is not a significant source of revenue. Animals are housed during the day, only, and are not allowed to remain in the kennel overnight.

During the course of the Visitor Center Rehabilitation Project, the underground operation will not be significantly changed, except for an expected increase in activity while visitor services at the surface are limited to interim operations.

Underground Operation	
Merchandise	The Concessioner occupies approximately 750 square feet of sales space and sells warm apparel, such as sweatshirts, and limited gift items at several counters. The sales area is located close to the elevators that bring visitors down from the surface.
Food and beverage	The Concessioner sells pre-packaged sandwiches, snacks, and food items as well as hot and cold beverages. The area has space for approximately 50 people to sit at picnic benches.

Source: National Park Service, The Cavern Supply Company, Inc.



Though it is not required by the Existing Contract, the Existing Concessioner provides transportation for its employees to and from the Park from its warehouse and office facility in Carlsbad.

Historically, total gross receipts for the Existing Contract have averaged approximately \$2.7 million per year for the period 2001-2005. Exhibit 9 illustrates the distribution of revenue among the services provided by the Existing Concessioner. Merchandise revenue has consistently been the largest component of revenue followed by food and beverage.

Exhibit 9 Departmental Revenue

Departmental Revenue	2001	2002	2003	2004	2005	Average
Merchandise	\$ 1,921,600	\$ 2,123,390	\$ 1,973,571	\$ 1,906,258	\$ 1,885,446	\$ 1,962,053
Food and Beverage	\$ 752,777	\$ 794,438	\$ 728,498	\$ 695,263	\$ 732,025	\$ 740,600
Kennel and Other	\$ 14,967	\$ 15,979	\$ 15,516	\$ 14,080	\$ 13,450	\$ 14,798
Total	\$ 2,689,344	\$ 2,933,807	\$ 2,717,585	\$ 2,615,601	\$ 2,630,921	\$ 2,717,452

Source: Existing Concessioner Annual Financial Report (AFR)

Merchandise

Historically, merchandise has comprised 72 percent of total revenue for the Existing Contract with approximately 80 percent of all merchandise revenues generated in the surface outlet. The existing merchandise footprint is approximately 3,500 square feet of surface operation and 750 square feet of underground operation, implying average historical sales of \$462 per square foot between both outlets. The merchandise mix is primarily composed of apparel and gift items that are themed to Carlsbad Caverns, New Mexico, the desert, and Native American cultures. The following photos are of the merchandise space in the pre-rehabilitation surface operation and the underground operation.

Exhibit 10 Merchandise Space in Visitor Center Prior to Rehabilitation



Source: National Park Service

Exhibit 11 Underground Merchandise Operation



Source: National Park Service

Food and Beverage

Historically, food and beverage revenues have comprised approximately 27 percent of total revenue for the Existing Contract. The surface food and beverage outlet is located adjacent to the merchandise operation within the visitor center. The outlet serves breakfast and lunch with a menu composed of typical dine-in items such as hamburgers, sandwiches, scrambled eggs, and daily specials. The restaurant offers approximately 100 seats in the main dining area, 48 seats in an overflow area that is used to accommodate large groups, and 30 seats of employee dining. The restaurant is typically busiest during the lunch rush and served a smaller number of guests for breakfast.

The underground operation provides guests with the opportunity to have a hot or cold beverage and light lunch or snack in the Cavern itself. Food must be pre-packaged and offered to guests a la carte or as part of a box lunch. There are approximately 50 seats available at picnic tables within a limited area of the cavern. The following photos represent the pre-rehabilitation surface operation and underground food operations.



Exhibit 12 Food and Beverage Images, Surface



Source: National Park Service

Exhibit 13 Food and Beverage Images, Underground



Source: National Park Service

Kennel and Other

Historically, kennel and other revenues have accounted for less than one percent of total revenues. The kennel operation is comprised of 15 kennel cages and provides park visitors the opportunity to keep their pets inside instead of in their vehicles while visiting the park to avoid the extreme temperatures in the New Mexico desert. Pets are housed during the day only and are not allowed to remain in the kennel overnight. Other non-kennel revenues consist of stamp sales.



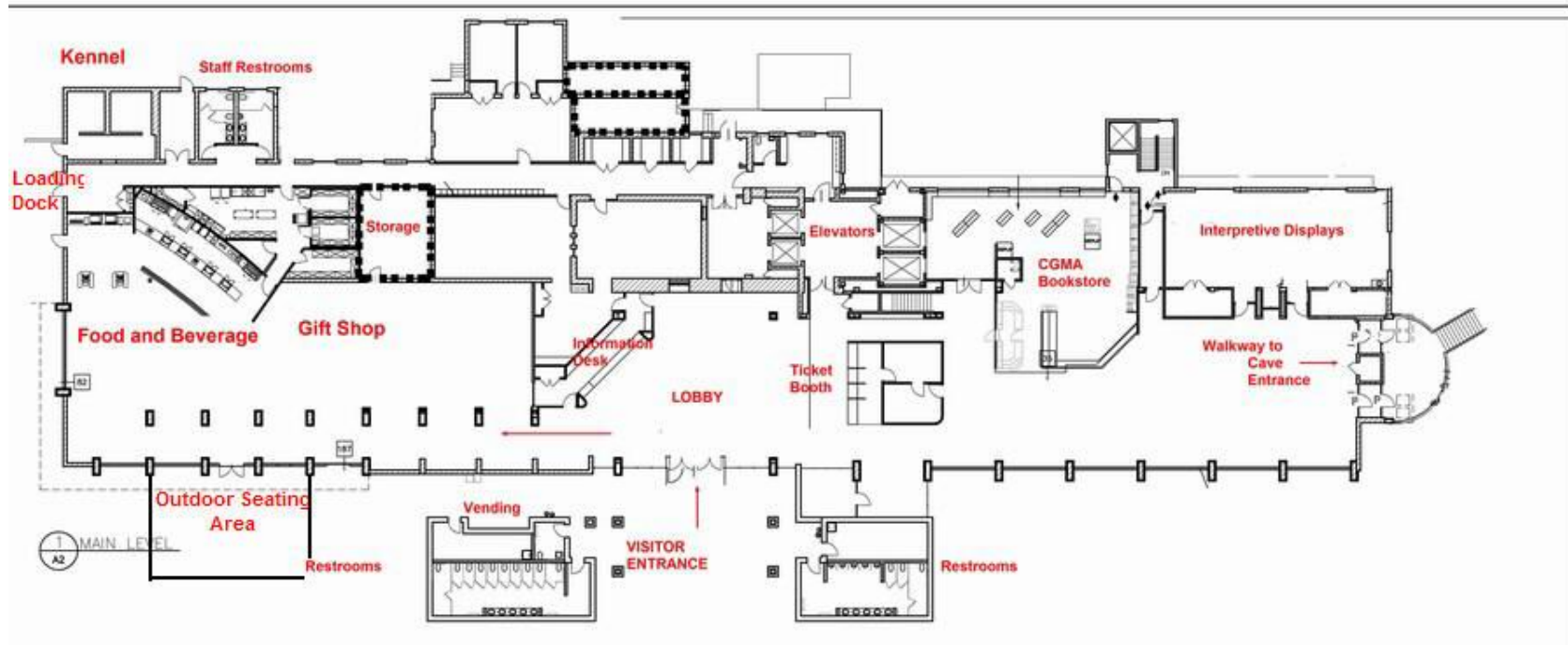
VISITOR CENTER REHABILITATION PROJECT

The Service is rehabilitating the visitor center and associated concession surface operation at Carlsbad Caverns National Park to make the visitor center an efficient, attractive facility that takes advantage of its unique location and reduces impacts to the Park's primary resource (Carlsbad Cavern). The project will halt structural deterioration and improve the architectural integrity of the Park's only visitor center. It will enlarge and improve the facility's limited and unclear entrance/exit points; upgrade aging, unsafe mechanical, electrical, plumbing and fire protection systems; eliminate overcrowded visitor use areas and elevator lobbies; and provide more efficient staffing operations and visitor flow. The project meets Carlsbad Caverns National Park's 1996 General Management Plan for improved services. In addition to the improved concessioner area, the rehabilitated visitor center will provide a cooperative association merchandise outlet, ticket sales, and interpretive exhibits. The expected completion date of the facility is December 2007, and the Concessioner will be able to move into its rehabilitated space once the Service authorizes the occupancy.

The rehabilitation will benefit the Concessioner by providing new assigned space that has been updated and designed for modern operations. The following diagram presents an architectural rendering of the entire visitor center. The concession operations are located to the left of the main entrance and lobby. Additional details and conceptual drawings are provided as an Appendix to the Prospectus.



Exhibit 14 Architectural Rendering of Surface Operations in Carlsbad Caverns National Park Rehabilitated Visitor Center
(See the Appendices of the Prospectus for additional details and conceptual drawings)



*Rendering represents conceptual design; final layout and construction may differ.

Source: National Park Service



The Concession Facilities will occupy approximately 10,000 square feet, broken down as shown in Exhibit 15.

Exhibit 15 Size of Rehabilitated Surface Operation compared to Pre-Rehabilitated

Square Footage (1)	Existing (Approximation)	Renovated Estimate
Retail		
Merchandise Display	3,500	3,300
Storage	900	450
Sub-Total	4,400	3,800
Food and Beverage		
Support and Preparation Area	800	900
Ordering and Serving Area	1,100	1,450
Indoor Seating Area (2)	3,100	1,900
Outdoor Seating Area (3)	0	1,000
Vending Area	0	100
Sub-Total	5,000	5,300
Other		
Receiving and Access (4)	200	200
Staff Restrooms/Area (4)	100	300
Kennel	500	400
Sub-Total	800	900
TOTAL	10,200	10,000

(1) Square footages are only preliminary estimates that are rounded. Actual square footages will vary.

(2) Current indoor seating area is a low density arrangement

(3) Requires Superintendent Approval to operate

(4) Includes shared space between Service and Concessioner.

Source: National Park Service

Rehabilitated Visitor Center - Merchandise

The rehabilitation of the existing visitor center provides a unique opportunity for the Concessioner to create the merchandise environment that they believe would best meet the needs of the Park and its visitors. In the proposal submitted in response to this prospectus, Offerors will present Retail concepts for the new space. The rehabilitated visitor center will provide approximately 3,300 square feet (not including the storage). The Service will provide an open and unfurnished space to the Concessioner with all real property fixed assets in the area but will not provide any personal property, such as display space, merchandise specific lighting, or merchandising racks. The Service will not construct any cabinets or counters and will require the Concessioner to provide these items a unattached, movable, personal property. The Concessioner will provide all of the personal property required to facilitate the merchandise operation.



As shown in Exhibit 14 the merchandise space will be located between the food service and the main entry to the visitor center and will be serviced via a rear loaded storage area and access corridor.

Rehabilitated Visitor Center - Food and Beverage

In addition to the new merchandise space, the Concessioner will start with a redesigned and newly equipped food and beverage operation in the rehabilitated visitor center. The dining and preparation space will occupy approximately 4,200 square feet of interior space and will facilitate a highly efficient “quick service” food operation.

The space can also simultaneously support a grab-and-go food service concept. The main dining area will accommodate approximately 120 seats.

Exhibit 16 Number of Visitor Seats in Rehabilitated Surface Food and Beverage Operation compared to Pre-Rehabilitated

Seating Type	Existing (Approximation)	Renovated Estimate
Indoor Seats	100	120
Indoor Overflow Seating	48	0
Outdoor Seating	0	36

Source: National Park Service

As a general rule, the Service intends to provide the property necessary for the operation that is considered real or fixed. A sample of the fixtures the Service intends to provide is listed in Exhibit 17. There will be no provisions for a vent hood or grilling facilities.

Exhibit 17 Draft List of National Park Service Provided Kitchen Fixtures

Cashier Station	Refrigerated Base with Pans
Beverage Counter	Mop Sink and Rack
Serving Counter	Three Compartment Sink
Work Counter	Walk-In Cooler and Walk-In Freezer
Wall Shelves	Water Filter
Exhaust Hood Assembly	Floor Trough and Grate
Convection Oven	Freezer Compressor
Fire Suppression System	Cooler Compressor
Work Counter with Sinks	Grease Trap Under Three Compartment Sink

Source: National Park Service

The Service requires the Concessioner to provide all of the necessary personal property. A general description of the property that the Concessioner will provide is given in the section of this Business Opportunity entitled “Investment Analysis” and further personal property examples are provided in the Rehabilitated Visitor Center Construction Diagram Appendix to this Prospectus.



In the proposal submitted in response to this prospectus, Offerors will present Food and Beverage concepts for the new space. The Service envisions an efficient operation that will provide nutritious foods to the public and that will accommodate the often unanticipated peaks in demand that occur when tour buses, school groups, and individual visitors simultaneously enter the food operation. Additionally, the Concessioner will have an opportunity to use a defined outdoor dining area. If the Concessioner desires to use this space, it must submit a proposal to the Superintendent for approval per the terms of the Draft Contract.

FUTURE OPERATIONS

The space and overall impression of the surface operation will be enhanced through the creation of new, efficient, and modern concession, visitor, and administrative facilities. The Service intends that the Concessioner will occupy its assigned space in the rehabilitated visitor center for a period of time prior to providing visitor services in order to furnish the new facility and prepare for operations. The Concessioner will commence visitor services when authorized by the Service to open to the public. At that time, the Concessioner will simultaneously commence all other services including the underground operation.

Exhibit 18 Estimated Timeline For Concessioner Operations

	Jan 08	Feb 08	Mar 08
Concessioner runs underground operation and interim surface operation under Existing Contract			
Concessioner is granted access to surface Concession Facilities for furnishing under New Contract			
Concessioner begins operating the new surface operation under New Contract			
Concessioner begins operating the underground operation under New Contract			

**Dates in the above table are estimated and may be adjusted depending upon the construction schedule of the visitor center rehabilitation project*

Surface Operation

New and Changed Required Services

The Draft Contract requires the Concessioner to offer changed existing services and a new vending service in the rehabilitated surface operation. The nature of the merchandise operation will remain similar to the historical operation, but the Service expects the Concessioner to use



the new facilities to enhance the services delivered to the public and to capitalize on efficiencies that have been designed into the new Concessioner space.

The nature of the food and beverage operation is changed based on the design of the facility and resulting change from primarily table service to quick service. This new mode of operation will more easily accommodate peak period customer demand and support a casual menu that offers freshly prepared foods, dine-in, and grab-and-go options similar to those found in some of today's most popular restaurants. An overview of the new mode of operation is provided in the following Exhibit.

Exhibit 19 Quick Service and Grab-and-Go Overview

Quick Service Option
Offers a wide range of salads, soups, panini and deli sandwiches as well as beverages and desserts, offered in an upscale environment. Could also include a rotating or permanent ethnic or regional specialty menu option.
All cooking and some preparation performed off-site with most hot meal items and soups re-heated on-site.
Customers place their order at the counter, select beverages, receive some meal items immediately, and pay.
For other more complicated menu items, customers will wait at the counter for their meal or the order is brought to the customer at their table or customers can pick it up at a counter and bring it back to a table.
This style of service is well accepted by consumers in the marketplace today and works well in handling high volumes of customers.
Most serving utensils will be disposable heavy-duty plastic wear, with some reusable baskets, pans, bowls, and serving trays for primary menu items, resulting in limited dishwashing requirements.
Comparable quick service restaurants might include Panera Bread™, Baja Fresh™, Schlotzsky's Deli™, Einstein Bros Bagels™, Chipotle™, etc.
PLUS Grab-and-Go
We envision the Grab-and-Go venue meeting the needs of visitors on the go by providing packaged products such as snacks, cookies, candy and fruit as well as canned or bottled beverages.
Additionally, some prepackaged food items could also be offered, as demand requires. We anticipate much of the Grab-and-Go business would be additional add-on business volume with a low labor factor.
Proper display and merchandising will be required to make this concept successful.

Source: National Park Service

The Draft Contract requires the Concessioner to provide vending machines so that the public may purchase food and beverage regardless of whether concessioner operations or the visitor center is open. Space for vending machines will be provided at the front of the visitor center and should accommodate up to four vending machines, although only one bottled beverage machine



is required. Details regarding other requirements of the vending operation appear in Exhibit B (Operating Plan) to the Draft Contract.

New Authorized Services

The Draft Contract authorizes the Concessioner to provide mobile merchandise and bottled water sales during ranger led bat flight programs at the Park. The Concessioner will be allowed to sell a limited selection of merchandise and bottled water to Park visitors from a mobile cart or other mobile option that can be set up at the start date of ranger led bat flight programs in the late spring and removed once programs are completed in the fall. A key merchandise item includes a “Bat Flight Photo CD” which is available for visitors to purchase as the Service no longer permits visitors to take their own pictures during the Bat Flight.

Underground Operation

The Draft Contract does not change existing services in the underground operation. The Concessioner will provide food and beverage and merchandise operations in the underground facilities, subject to the requirements and limitations of the Draft Contract. The facilities will not change as a result of the visitor center rehabilitation on the surface. The underground operations occur in the sensitive Cavern environment. The Concessioner must operate the underground services in an environmentally responsible manner, recognizing the unique requirements of operating in the fragile Cavern environment. For instance, the Concessioner must prepare all food served underground on the surface and transport it down the elevators to the Cavern. The Concessioner must package all apparel sold in the Cavern in such a way as to limit the introduction of lint and fabric fibers into the Cavern. In the proposal submitted in response to this prospectus, Offerors will present operating approaches for the underground operation. Additional requirements appear in Exhibit B (Operating Plan) to the Draft Contract.



GENERAL UTILIZATION AND OPERATING DATA

The Proposal Package requires Offerors to develop financial projections based on the businesses to be operated and the investments required. In order to assist the Offerors in the development of these projections, the Service presents information regarding historical utilization and operating data for the services under the Draft Contract on the following pages.

Visitation

The Service considered historical visitation patterns and general market conditions when determining the minimum franchise fee set forth in this prospectus. Exhibit 5 presents the historical visitation figures used to assist in the development of revenue projections.

Merchandise

Revenue

Exhibit 20 presents merchandise dollars spent per square foot on all merchandise operations (surface and underground combined, excluding storage).

Exhibit 20 Historical Merchandise Revenue – 2000 to 2004

	2001	2002	2003	2004	2005	Average
Revenue	\$ 1,921,600	\$ 2,123,390	\$ 1,973,571	\$ 1,906,258	\$ 1,885,446	\$ 1,962,053
Square Footage	4250	4250	4250	4250	4250	4250
Sales per SF	\$ 452	\$ 500	\$ 464	\$ 449	\$ 444	\$ 462

Source: National Park Service

Historically, total revenue per square foot has been approximately \$462 with a range of \$449-\$500 from 2001 to 2005. The historical average transaction value was estimated to be slightly less than \$13.

Expenses

Historically, Merchandise Direct Labor, Cost of Goods Sold and Other Departmental Costs, on a combined basis, averaged approximately 60 percent of gross merchandise revenues.

Food and Beverage

Revenue

Food and beverage accounts for slightly less than thirty percent of the Existing Contract revenues. Total food and beverage revenues decreased by less than three percent between 2001 and 2005.



Exhibit 21 Food and Beverage Revenue – 2001 to 2005

Food and Beverage	2001	2002	2003	2004	2005	Avg
Historical Revenue	\$ 752,777	\$ 794,438	\$ 728,500	\$ 695,263	\$ 732,025	\$ 740,601
Seats ⁽¹⁾	148	148	148	148	148	148
Revenue per Seat	\$ 5,086	\$ 5,368	\$ 4,922	\$ 4,698	\$ 4,946	\$ 5,004

(1) Does not include 30 seats in employee dining area or 50 seats in underground operation.

Source: National Park Service

Expenses

Historically, food and beverage Direct Labor, Cost of Goods Sold, and Other Departmental Costs, on a combined basis, were 71 percent of gross food and beverage revenues.

Other Departments**Kennel and Other Revenue**

Other departmental revenue is comprised of revenue from the kennel and stamp sales and has historically been approximately \$0.03 per visitor.

Exhibit 22 Historical Kennel Departmental Revenue – 2000 to 2005

	2001	2002	2003	2004	2005	Average
Other Sales	\$ 14,967	\$ 15,979	\$ 15,516	\$ 14,080	13,450	\$ 14,798

Source: National Park Service

Vending Revenue

Vending was not an authorized service in the past. Therefore, no historical vending revenues are available.

Expenses

Historically, Direct Labor and Other Departmental Costs, on a combined basis for the kennel operations and stamp sales was 75 percent of departmental revenue.

Undistributed Expenses

The Existing Concessioner reported undistributed expenses that averaged 21 percent and insurance expense that averaged slightly more than one percent.



INVESTMENT ANALYSIS

The Existing Contract requires the Existing Concessioner to sell and transfer to the successor its possessory interest and all other property of the Concessioner used or held for use in connection with such operations. A copy of the Existing Contract, CC-CAVE001-70, as amended, can be found as an Appendix to this Prospectus. Service estimates of these costs are stated below.

Offerors should not rely on Service estimates in preparing and submitting proposals in response to this Prospectus. It is the responsibility of Offerors to make their own estimates of the compensation that must be paid to the Existing Concessioner under the terms of the Existing Contract. A list of example personal property that may be required for purchase by the successful Offeror in accordance with the terms of the Existing Contract is included in an Appendix to this Prospectus. The list is not comprehensive. Offerors must make their own determinations as to the scope of property that is to be purchased from the Existing Concessioner.

Possessory Interest

There is no possessory interest associated with the Draft Contract. The Service acquired possessory interest of the Existing Concessioner prior to issuing this Prospectus. The Concessioner will not obtain or accrue a leasehold surrender interest in the Draft Contract. All real property is government owned and assigned to the Concessioner.

Required Personal Property Investments

The Draft Contract requires the Concessioner to make personal property investments at the beginning of the Draft Contract. The Draft Contract requires the Concessioner to expend no less than \$337,000 in 2007 dollars before the opening of concession operations.

The merchandise operation will require the installation of new merchandise racks, displays, and supporting equipment. The food and beverage outlet will require the provision of new kitchen equipment to meet the Concessioner's proposed menu and the purchase of new dining room furnishings.

Exhibit 23 shows the assumptions the Service used when arriving at a minimum investment level. Exhibit 23 identifies the estimated breakout of required personal property investments; however the actual breakout in terms of quantity of items (number of displays, point of sales, etc.), type of items, and costs of items may differ from the Service estimate. The estimated costs are for the purchase and installation of equipment. However, these requirements are a minimum only, and it is the responsibility of Offerors to make their own estimates of new personal property investment to operate the rehabilitated surface operation.



Exhibit 23 Required Personal Property Investment

2007 Dollars				
Merchandise	Units	No of Units	Cost Per Unit	Total Cost
Displays	Per	40	\$ 472	\$ 18,900
Point of Sale	Per	1	\$ 26,214	\$ 26,200
Merchandising Racks	Per	40	\$ 734	\$ 29,400
Miscellaneous	Per	1	\$ 68,157	\$ 68,200
Subtotal Retail				\$ 142,700
Food and Beverage				
Chairs	Per	120	\$ 79	\$ 9,400
Tables	Per	40	\$ 131	\$ 5,200
Point of Sale	Per	1	\$ 31,457	\$ 31,500
Equipment	SF	900	\$ 163	\$ 146,300
Subtotal Food				\$ 192,400
Kennel				
Miscellaneous	Per	1	\$ 1,573	\$ 1,600
Total				\$ 337,000

*Estimated costs have been provided in 2007 dollars, totals may not sum due to rounding

Source: National Park Service

It is important to note the following:

1. The calculations in the above table are solely for determining a minimum personal property investment and to provide guidelines on how the investment will be made. However, the above table does not dictate the exact size, scope, and location of investment.
2. The Concessioner is obligated to the total personal property investment of no less than \$337,000 in accordance with the Draft Contract. This value is reflected in 2007 dollars.
3. The Concessioner will adjust the size, scope, and location of each project to address planning, final visitor center facility conditions, and other circumstances.
4. Many of the details included in the cost estimate and project scope are preliminary and will change based the successful Offeror's proposal as to the food and merchandise concepts.

The following paragraphs provide a description of the investment project minimum estimates:

Improvements

1. **Merchandise.** The Service expects the merchandise furnishings to be of medium to high quality commercially available items and not custom fabricated displays and merchandise racks. The Service assumed that the Concessioner would provide one



primary point of sale system and two to three terminals, which are included under the point of sale and miscellaneous cost items identified in Exhibit 23.

2. **Food and Beverage.** The Service expects the Concessioner to provide at least 120 chairs and 40 tables in the dining room area. The exact configuration of table sizes and shapes are at the Concessioner's discretion, with the consultation of the Service, but must be compatible with the space and provide for efficient use and customer comfort. The Concessioner also will provide the kitchen equipment necessary to support its proposed menu.
3. **Kennel.** The Service expects the Concessioner to provide the necessary personal property needed to facilitate the kennel operation.

Other Property

Section 12 of the Existing Contract also requires the Existing Concessioner to sell Other Property used in the operation to the Concessioner.

The estimated value of personal property to be sold and transferred to the Concessioner is estimated to be between \$310,000 and \$380,000. This range includes the furniture, equipment, vehicles, held by the current Concessioner for use in the operation. This range is only an estimate, and the determined value could differ from this estimate. Examples of the types of items are included as an Appendix of this Prospectus. This list is not comprehensive. The Concessioner is required to purchase the personal property from the Existing Concessioner. The purchase of this property is in addition to the required investment in new personal property.

The estimated value of merchandise (inventory), and supplies, also considered, "other property" under the existing contract, to be sold and transferred to the successor Concessioner is estimated to be between \$240,000 and \$290,000. This estimate is based on historical inventory levels as reported in the Concessioner's Annual Financial Reports as provided to the Service.

Dispute Resolution

If the Existing Concessioner and the Concessioner cannot agree upon the value of any item or items of Other Property, the resolution will occur by the process described in Section 12 of the Existing Contract. The Existing Contract, as amended, is included as an Appendix to this Prospectus.

Estimate of Required Investment

The following summarizes the estimated required initial investment of the Concessioner as projected by the Service.



Exhibit 24 Estimated Required Initial Investment

Possessory Interest	\$0*
New Personal Property Investment (Minimum)	\$337,000
Other Property	\$310,000 - 380,000**
Other Property (Inventory)	\$240,000 - 290,000**
TOTAL	\$900,000 - 1,020,000

* There is no Possessory Interest associated with this contract

** These ranges represent estimates of the Service and are provided in 2007 year of expenditure dollars.

Source: National Park Service

FRANCHISE FEE

The minimum franchise fee under the Draft Contract is **7.0** percent of annual gross receipts.

SITE VISIT

A one-day site visit is scheduled to take place on the date listed on the inside cover of this Prospectus. Park personnel will provide an overview of the Visitor Center Rehabilitation Project in addition to conducting a tour of the Park and existing Surface and Underground Operations. For additional information concerning the site visit, please contact:

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TERM AND EFFECTIVE DATE OF THE DRAFT CONTRACT

The Draft Contract is for a term of ten years beginning on its effective date, which is estimated to be January 1, 2008. The effective date of the Draft Contract is subject to change prior to contract award if determined necessary by the Service. The expiration date of the Draft Contract will be changed to continue the same term length from any adjustment to the effective date.

